

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE**

**PRIOR APPROVAL RATE FILING INSTRUCTIONS**

Every insurer wishing to change any rules, rates, forms, or introduce a new program must complete a **Prior Approval Rate Application** in compliance with Title 10, Chapter 5, Subchapter 4.8 of the California Code of Regulations (CCR) and file it with the Commissioner.

The application must include all data referred to in Section 1861.05 (b) of the California Insurance Code (CIC), a justification of the rate and that the rate meets the applicable requirements of CIC Sections 1861.01 through 1861.16, CCR Sections 2641.1 through 2644.27, and any other detailed supporting statistics and information as the Commissioner may require.

Send all Prior Approval Rate Applications to:

CALIFORNIA DEPARTMENT OF INSURANCE  
RATE REGULATION BRANCH  
Rate Filing Bureau  
Attn: Intake Unit  
45 Fremont Street, 23rd Floor  
San Francisco, CA 94105

**Important note: Refer to the CDI website at <http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/> for the most current rate template and prior approval factors.**

Do not submit any fee with this application. Each insurer will be billed an administrative fee.

This application applies only to prior approval rate filings. Separate applications apply for Class Plans, Advisory Organizations, File and Use (Credit and Title), and Workers' Compensation.

Rate filings may be submitted electronically using the NAIC's System for Electronic Rate and Form Filing (SERFF), by CD or by paper. CD's and electronic rate applications must be submitted in pdf format. In addition, CDI rate template(s) for each ratemaking data section (application pages 7 & 8) must be submitted in excel format for electronic filings.

If the CD filing method is selected, one paper copy of the rate application and supporting documents must be submitted in addition to the CD.

If the paper filing method is selected, one (1) original and one (1) paper copy of the CDI

application and supporting documents must be submitted. Paper and CD filings must contain a self-addressed, stamped envelope for acknowledgment. A copy of application page 1, and page 2 for group filings, will be sent to the filer as an acknowledgment. Acknowledgment is automatically provided for filings submitted via SERFF.

## **I. GENERAL FILING INFORMATION**

### **A. Application**

Insurers must submit a completed prior approval rate application for new programs, rates, forms and rules (rating and underwriting) with rate impact. Each insurer must indicate the type of filing submitted for rate review and provide the corresponding rate application pages plus exhibits according to the requirements shown on rate application page 3.

A rate impact includes, but is not limited to, any changes in the rates, rating factors, rating and underwriting rules, and any contract language change(s) that affect the rate or cost of coverage due to the broadening or restricting of coverage.

The overall rate impact is measured by changes in the earned premium and rate application page 4 must be completed. Changes to any rating plan that result in a zero overall rate change must also be filed, however.

Filings for declaration pages, application forms and installment payment plans without a fee are considered attachments to the latest applicable filings. Separate approvals will not be issued to these attachments. However, installment payment plans that include fees, and application forms that are incorporated by reference, are subject to the prior approval filing requirements.

### **B. Filing by Line of Insurance**

Filings should be made *per line of insurance* according to the NAIC Uniform Property and Casualty Product Coding Matrix Filing Code. To access the filing code matrix, a link to the NAIC website is available on the Department's website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

The rates, rules and forms for the same line of insurance may be combined in one filing. However, commercial automobile liability and automobile physical damage must be combined in a single filing. Refer to the private passenger auto section for information specific to the same.

### **C. Program Filings**

Filings per line of insurance may be made for individual programs within the line (such as a Commercial Automobile Auto Dealers). The filing must contain the rules, rates, and forms for each coverage and provide documentation to support the rates for each coverage.

Existing independent programs with different coverages and/or rates (including rating tiers or rate differentials) must be filed separately when sufficient credibility exists for the program.

### **D. Proposed Rate and Rule Manual Pages**

For filings requesting changes in rates or rules, the current and proposed manual rate and rule pages must accompany the application. In the revised pages, include brackets for the deletions and underline the additions to identify the changes. Additionally, provide a clean copy of the proposed pages.

## **II. RATE FILE-TYPE INFORMATION**

### **A. Filing Types**

This application applies to the following various types of filings: New Programs, Rates, Forms, and Rules. Refer to rate application page 3 for specific information regarding the filing documents to be submitted for each type of filing.

For most kinds of insurance, the regulations prescribe a particular formula and factors to determine the maximum and minimum permitted premium. An exception exists for specialty insurance, where the only requirement is that the most sound actuarial method be used. Types of specialty insurance include policies with a premium over \$75,000 or a deductible over \$100,000. For a complete definition of specialty insurance, see CCR §2642.7 (d).

### **B. Variance**

The application provides for the submission of variance requests. A variance is a request that the maximum permitted earned premium or minimum permitted earned premium should be adjusted (Refer to CCR §2644.27 (a)).

Requests for variance may be submitted at the same time as the prior approval rate application to which it applies or after the filing of the same. All requests for variance must identify and support the bases for the variance according to

§2644.27, Variance Request. When a variance is requested, application page 12, Request for Variance, must be completed.

### **C. New Programs**

A new program is a new product without an existing rate manual, policy forms and underwriting rules. It is also a program that has not been previously written and its filing requires at least one year of projections. A rule filing differs from a new program filing in that rule filings are filings intended to either add, delete or limit specific coverages to an *existing* program.

The new program filing must contain **ALL** rates, rating rules, forms, and underwriting guidelines that pertain to the program.

At a minimum, new program filings must provide the projected figures or substitute data on application pages 7 and 8, ratemaking data. The minimum data necessary for new program filings are the projected: earned premium, miscellaneous fees and other charges, number of earned exposure units, incurred losses, excluded expense factor and the projected yield and federal income tax rate factor on investment income.

If relying upon the data from an affiliate within a group, submit the affiliate's historic data *in addition* to the projected figures. If the new program is based partly on a current or inactive program, data from that program, together with the rate impact to the affected policyholders, must be provided.

### **D. Rates**

Any insurer proposing to change their base rates, rating factors and/or rate classification relativities must file a complete rate application.

In addition, supplemental rating plans that impact the rating process in a program must be filed with the Department using the rate application. These supplemental rating plans include, but are not limited to, merit rating plans, experience rating plans, loss rating plans, composite and retrospective rating plans, expense rating plans, and any other similar plans.

### **E. Forms**

When forms are being revised, both the current and proposed forms must be included in the filing. Application pages 13 and 14 must be completed and an explanation of the rate or rate impact must also be included.

Forms that restrict or delete coverage require consideration of a rate offset and must provide the amount of prior losses incurred, if any. If the form proposes to restrict or exclude coverage the proposed rate for the remaining coverages must be justified.

If a form has a corresponding rule, the form and the rule must be submitted together. The Department will classify the filing type as a rule filing.

#### **F. Rating and Underwriting Rules**

When rating and underwriting rules with rate impact are being revised, the current and proposed rules must be attached to the filing and the overall rate impact must be justified. Mutually exclusive underwriting guidelines must be provided for programs with rating tiers. Refer to the **Program Filings** instructions for additional information.

### **III. PRIVATE PASSENGER AUTO**

In addition to the prior approval rate filing needed to support the rate level, private passenger automobile programs require the submission of a class plan filing. The class plan application must indicate the rating factors to be applied, the relativities for each rating factor, the base rate, the good driver discount plan and the statistical analysis used to determine the classification variables in accordance with CCR Title 10, Chapter 5, Subchapter 4.7. Rate changes that do not involve changes to the rating factors do not require a class plan application. Refer to the Class Plan Application and Instructions for detailed information.

When submitting a private passenger auto prior approval rate application, ratemaking data application pages 7 & 8 must be completed by coverage (BI, PD, MP, UM, Comp. and Coll.).

Rate application page 9, statutory page 14 calendar year data reconciliation of direct earned premium data per program and rate application page 10, additional data required by statute, may be submitted separately for liability and physical damage or may be combined.

Personal automobile data must exclude assigned risk data. Assigned risk data must be excluded from application pages 7 and 8, ratemaking data, but included as a separate line on application page 9.

Rating tiers are *disallowed* in private passenger auto. However, more than one program may exist within the private passenger auto line of insurance *if* such programs differ in rates because of significant and relevant coverage differences; hence, the corresponding cost of that coverage will differ between the programs. If a company has more than one program based on significant and relevant coverage differences, the differing products

must be offered to all applicants. The insurer must describe, in detail, the significant and relevant coverage differences by coverage to support the rate differentials between the programs.

Existing independent programs with different coverages and rates must be filed separately when sufficient credibility exists for the program. If class plans differ across the various programs, a companion class plan application must be filed with each corresponding rate application. In all cases, the class plan filing number to be used in conjunction with the PPA auto program must be identified.

CIC §1861.12 allows for the submission of group programs without restriction as to the purpose of the group, occupation or type of group. Separate rate applications are required for *each* group insurance program. If a separate class plan will apply to the group insurance program a separate class plan must also be filed.

While the insurer may not have credible data to support the initial rate levels of the new group, the insurer may file separate rate filings for their group programs using aggregate data for all of their private passenger programs to increase the overall credibility. However, the insurer must still provide support and justification for the rate differentials between the group programs. Once the insurer has gained sufficient experience data for the individual group program to be credible, the filings must be based solely on the group program data.

Additional groups may be established by filing a new program application if the rate is different from any other group program offered by the insurer. Otherwise, once a group program and rate is approved, additional groups using the same class plan and rate may be added to the program by submitting a rule change application.

#### **IV. COMPLETING THE APPLICATION**

The following information explains the application pages and the required supporting exhibits. A complete application is required in accordance with the provisions set forth in CIC §1861.05 (b).

##### **Rate Application Page 1 – Prior Approval Rate Application**

Every insurer wishing to make a filing must complete application page 1. In addition to the company specific information, this page must provide information pertaining to: 1) the chosen filing method - SERFF, CD or Paper, 2) Variance, 3) group data, 4) whether the filing is a specialty filing (refer to CCR §2642.7(b)) and 5) the latest applicable CDI filing number that corresponds to the newly submitted filing.

The company must identify the line of insurance, according to the NAIC uniform property & casualty product coding matrix, the subline, and the program.

### **Rate Application Page 2 – Insurer Group Filing**

Page 2 must be completed when a group filing is submitted. Each company to which the filing applies must be identified on this page.

Group filings can be made for all filing types, including variance filings, if each company within a group uses the same rates, forms and/or rules (rating and underwriting).

When rate differentials exist between companies in a group, group filings can be made on a limited basis, depending on the credibility of the data. Group submissions for companies with rate differentials are permitted only when sufficient credibility does *not* exist within the program. In this case, the company must identify, support and explain the differentials using Exhibit 20 – *Insurer Group Filing*.

When sufficient credibility does exist within a separate, previously approved program that has different rates, forms or rules, a separate filing must be made and each must use its company specific data.

### **Rate Application Page 3 – Property and Liability Filing Submission Data Sheet**

When completing page 3, each company must identify the type of filing and submit the noted application pages and exhibits identified as *required*, according to the specific filing type. The various broad types of filing submissions are: Rate, Form, Rule, New Program and Variance. More than one filing type can apply to a single filing.

### **Rate Application Page 4 – Property and Liability Filing Submission Data Sheet - Continued**

Page 4 of the application must be completed for every filing identified as having a rate impact. The earned premium must include all income derived from miscellaneous fees and other charges (refer to the instructions for completing exhibit 6 for more detailed information).

### **Rate Application Page 5 – Filing Checklist**

Page 5 of the application is provided to ensure that all necessary documents that are designated as *required* on page 3 are included in the submission.

This page includes additional attachment items that apply only in specific circumstances. If printed rate pages, rule pages, form and reinsurance agreements are included in the submission, these items should be noted as ‘included’ in the filing checklist.

If a receipt acknowledgement is requested, a self-addressed stamped envelope must be provided. Otherwise, an acknowledgment will not be mailed to the company.

### **Rate Application Page 6 – Supporting Data Exhibits**

Application page 6 is provided to ensure that all necessary exhibits are included in the submission, according to the filing purpose and type(s) of filing.

### **Rate Application Pages 7 and 8 – Ratemaking Data**

Application pages 7 and 8 must be completed for all file types with rate impact. If more than the three years is needed for credibility purposes, refer to the CDI website for alternative ratemaking data pages ([www.insurance.ca.gov](http://www.insurance.ca.gov)).

Pages 7 and 8 require that the insurer provide the following information specific to the program under rate review:

- The NAIC Line Code and the coverage to which the data corresponds.
- The prior effective date of the current rates.
- The proposed effective date of the proposed rates.
- The marketing system and the percentage volume of each distribution, weighted by earned premium.
- The statistical period used in the ratemaking process.
- Three years of data that directly corresponds to the program under rate review; subject to regulations pertaining to credibility (CCR §2642.6 and §2644.23).
- For new programs, the projected columns must be used.
- Residual market data must be removed.
- If submitting ratemaking data for earthquake and medical malpractice in line 19, provide the average direct commissions paid on premiums subject to these reinsurance agreements.



**Rate Application Page 9 – Statutory Page 14 Calendar Year Data Reconciliation of Direct Earned Premium Data Per Program**

When completing application page 9, each insurer must provide calendar year direct earned premium data and itemize the data for each program/filing until all data is reconciled to the corresponding annual statement line of insurance (statutory page 14).

File numbers are not required for residual market data. Auto liability and physical damage data may be shown together on the same page.

**Rate Application Page 10 – Additional Data Required by Statute**

Data requested on application page 10 must be provided for the most recent calendar year. The data provided must correspond to the program/filing to which it applies and need not necessarily reflect the total annual statement line of insurance data.

Auto liability and physical damage data may be shown separately or combined.

**Rate Application Page 11 – Miscellaneous Fees and Other Charges**

Application page 11 requires that each insurer disclose all fees and the amounts charged to individual policies for new and renewal business. These fees include but are not limited to: policy fees, installment fees, endorsement fees, inspection fees, cancellation fees, reinstatement fees, non-sufficient funds (NSF) fees, SR-22 fees, late fees, membership dues, installment finance charges and any other similar fees.

All such fees, except NSF fees, membership dues, and installment finance charges are considered to be earned premium for ratemaking purposes and the aggregate earned premiums for each year of the recorded period must be included on page 7, line 2 (direct earned premium) **or** line 5 (miscellaneous fees and other charges). These data must be developed in exhibit 6, miscellaneous fees and other charges.

**Rate Application Page 12 – Request for Variance**

Application page 12, items 1 through 4, must be completed when requesting a variance. Page 12 provides a synopsis of the bases for variance and each insurer is required to identify the bases for variance in accordance with CCR §2644.27 (f).

Exhibit 15 must be completed for every variance filing, whether filed together with the prior approval rate application to which it applies or after the same.

### **Rate Application Page 13 – Forms**

Application page 13 requires that each insurer identify each form by title and form number.

Insurers must declare whether the proposed form changes have rate impact and assess the value of the coverage change if a rate is not specifically charged for the form.

To the extent that coverage is affected by the restricting or broadening of coverage, rate impact is implied as a result of changes to the contract language.

### **Rate Application Page 14 – Forms (Continued)**

Application page 14 requires each insurer describe the purpose of the form or the form change and to describe the needed information for new or revised forms.

### **Rate Application Page 15 – Executive Compensation Data – part of Exhibit 11**

Application page 15 provides the format for submitting data needed for calculating the total and excess executive compensation for the five highest-paid policy making positions.

The format is available on the CDI website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

### **Rate Application Pages 16, 17 and 18 – Exhibit 13- Projected Yield and Federal Income Tax Rate on Investment Income**

Exhibit 13 provides the format for calculating the projected yield and the federal income tax rate on investment income. This format is available on the CDI website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

### **Filing Memorandum**

A filing memorandum must be attached to each filing indicating the purpose of the filing and providing a summary of proposed changes.

## **V. REQUIRED EXHIBITS**

The following is a summary of exhibits that **must** be attached to the application to support the figures applied in the ratemaking data, application pages 7 and 8. Indicate the appropriate exhibit number in the upper right hand corner of the page. In addition,

number the pages in each exhibit in consecutive order.

### **Exhibit 1 - Filing History**

Provide a list of all previously approved California Department of Insurance rate filing numbers that have been made for this line, subline, and program within the last three years. If there have been no rate filings in the last three years, provide the file number of the last approved rate file made for this line, subline, and program.

### **Exhibit 2 - Rate Level History**

List all of the rate level changes for the last five years per coverage affected by this filing. Show the effective date of the rate change. The following is an example for Private Passenger Automobile Liability:

<u>Effective Date</u>	<u>BI</u>	<u>PD</u>	<u>MP</u>	<u>UM</u>	<u>Combined</u>
MM-DD-Y5	+10.0%	-5.0%	+1.0%	+4.0%	+8.0%
<u>MM-DD-Y4</u>	- 5.0	+2.0	0.0	0.0	-4.0
<u>MM-DD-Y3</u>	+ 8.5	0.0	0.00	-10.0	+8.3
<u>MM-DD-Y2</u>	+ 5.0	+1.0	0.00	+2.0	+4.7
<u>MM-DD-Y1</u>	- 5.0	-2.0	+5.00	0.0	-4.8

### **Exhibit 3 - Policy Term Distribution**

Explain the policy term options that are available and provide the percentage of business written in each option.

### **Exhibit 4 - Premium Adjustment Factor**

From the rate level changes in Exhibit 2-*Rate Level History*, show how the premium adjustment factors on application page 7, line 3 of the ratemaking data were derived to bring premiums to the current rate level.

### **Exhibit 5 - Premium Trend Factor**

Indicate how the premium trend factors on application page 7, line 4 were developed. These factors shall be based on company-specific premium per exposure data using the most recent twelve quarters of rolling calendar year data.

The exhibit must show the calculated annual trend and the trend period for each year in the recorded period. The trend period must extend from the average date of loss of the recorded year to the average date of loss of the rating period.

### **Exhibit 6 - Miscellaneous Fees and Other Charges**

Provide the total amount of fees and other charges identified in application page 11, with the exception of installment finance charges, non-sufficient fund fees, and membership dues, for each year in the recorded period. These fees include but are not limited to: policy fees, installment fees, endorsement fees, inspection fees, cancellation fees, reinstatement fees, late fees, SR-22, and other similar charges.

The total amount of fees and other charges reported should derive from the collection of these individual policy level charges. The reported total fees should not be reduced by the associated expenses.

The reported total fees and other charges should be included on application page 7, line 2 - direct earned premium **or** line 5 - miscellaneous fees and other charges.

If included as earned premium on line 2, the premium adjustment factors on line 3 and the premium trend factors on line 4 would also apply to these fees. Therefore, the derivations of premium adjustment factors and premium trend factors in exhibit 4 and 5 must include the reported total fees and other charges.

If included as miscellaneous fees and other charges on line 5, the premium adjustment factors on line 3 and the premium trend factors on line 4 do not apply to these fees. However, if there are fee changes between the recorded period and the proposed rating period, fees entered on application page 7, line 5, must be at the projected level. Exhibit 6 must show the actual historic fees and the adjustment to the prospective level.

### **Exhibit 7 - Loss and Defense and Cost Containment Expense (DCCE) Development Factors**

Pursuant to CCR §2644.6 and §2644.8, indicate how the loss and DCCE development factors shown on ratemaking data, application page 7, lines 9 and

10, were developed. This exhibit must include the loss development triangle which is the basis of the dollar-weighted average of the ratios of losses for the three most recent accident years, policy years or report years available for a reporting interval.

Filings shall contain both paid losses and case-specific reserves, stated separately. Loss development shall employ either paid losses or the sum of paid losses and case-specific reserves. The insurer shall submit both the factors and ultimate losses for both paid and incurred loss development calculations. Loss development data shall exclude catastrophes.

For liability coverages, DCCE may be added to losses for loss development and trend or may be developed using ratios of DCCE to losses. The insurer shall demonstrate that its selection is the most actuarially reasonable.

In accordance with CCR §2644.27 (f) (9), a variance for loss development may be requested if CCR §2644.6 does not produce an actuarially sound result.

#### **Exhibit 8 - Loss and DCCE Trend**

Pursuant to CCR §2644.7, provide support for the loss and DCCE trend factors on application page 8, lines 11 and 12 of the ratemaking data.

The trend factors shall be based on the exponential curve of best fit, using the company-specific data for the most recent twelve quarters of rolling calendar year data, excluding catastrophes. The frequency trend shall be calculated using reported or closed claims divided by exposures. The severity trend shall be calculated on paid losses divided by closed claims or total paid losses, including partial payments in previous calendar years, on closed claims divided by closed claims.

The exhibit must show the calculated annual trend and the trend period for each year in the recorded period. The trend period must extend from the average date of loss of the recorded year to the average date of loss of the rating period.

The standard for full credibility for loss trend shall be 6,000 total claims over the twelve quarter period for each form for homeowners and each coverage for private passenger automobile.

For liability coverages, DCCE may be added to losses for loss development and trend or may be developed using ratios of DCCE to losses. The insurer shall demonstrate that its selection is the most actuarially reasonable.

In accordance with CCR §2644.27 (f) (10), a variance for loss trend may be requested if CCR §2644.7 does not produce an actuarially sound result.

### **Exhibit 9 - Catastrophe Adjustment**

Pursuant to CCR §2644.5, support the catastrophe adjustment factors that are shown on ratemaking data application page 8, line 13. Show how the loading based on a multi-year, long-term average of catastrophe claims was derived. Provide the definition of catastrophic loss and show how the catastrophic losses were eliminated from the historic losses. Indicate the catastrophic reserves and the portion of the catastrophic losses paid.

For homeowners, no less than twenty years may be used. For private passenger auto physical damage, no less than ten years may be used. There shall be no catastrophe adjustment for private passenger auto liability. Include **ONLY** the California actual losses, a list of the causes of loss and the outstanding catastrophic reserves for large loss years.

### **Exhibit 10 - Credibility Adjustment**

Pursuant to CCR §2644.23, if the data is not 100% credible, indicate how the loss and DCCE credibility factor on application page 8, line 14 of the ratemaking data was determined. Provide the credibility formula or table that was used to derive the factor.

If the data has less than 25% credibility, additional years, not to exceed ten years, shall be added to the recorded period until the data is at least 25% credible. Refer to CCR §2642.6.

3,000 claims is the full credibility standard for each homeowners coverage form and for each coverage for private passenger auto.

### **Exhibit 11 - Excluded Expense Items**

Pursuant to CCR §2644.10, provide a breakdown of expenses that are not permitted to be included for ratemaking purposes and indicate how the factor shown on application page 8, line 15 of the ratemaking data was derived. These expenses must be listed separately by type of expense and include the following:

- Political contributions and lobbying
- Total and excess executive compensation for the five highest-paid policymaking positions
- Bad faith judgments

- All costs attendant to the unsuccessful defense of discrimination claims
- Fines and penalties
- Institutional advertising expenses
- All payments to affiliates that exceed fair market rate

The efficiency standard will be reduced in order to effect the disallowance of the excluded expenses for ratemaking purposes.

The excess executive compensation (excel) format is provided on application page 15.

### **Exhibit 12 - Ancillary Income**

Show the breakdown of the ancillary income by transaction type for the recent three years. Ancillary income is defined as income that was derived from operations directly related to insurance (non-sufficient funds fees, premium finance revenues, installment finance charges, and membership dues) but not insurance premium. **Expenses** associated with collecting ancillary income **must not be deducted** from the ancillary income. The ancillary income must be shown on application page 8, ratemaking data line 16.

### **Exhibit 13 - Projected Yield and Federal Income Tax Rate on Investment Income**

Pursuant to CCR §2644.20 and §2644.18, provide the projected yield and the federal income tax rate on investment income on application page 7, lines 17 and 18 of the ratemaking data. The projected yield and FIT calculation specified in CCR §2644.20 and §2644.18 must be used.

The projected yield and federal income tax factor (excel) format is provided on application pages 16, 17 and 18. In calculating the weighted average yield: 1) the weights used shall be based on the insurer's most recent consolidated statutory annual statement, 2) the yields for each asset class shall be based on the average of the most recent available three complete calendar months as of the date of the filing.

### **Exhibit 14 - Reinsurance Premium and Recoverables**

For medical malpractice with facultative reinsurance attachment points above one million dollars and earthquake, where the cost of reinsurance is included in the rate development, provide the basis for the reinsurance premium and recoverables data entered on application page 8, lines 20 and 21 of the ratemaking data for each year of the recorded period. Provide the average direct commissions paid on premiums subject to these reinsurance agreements on ratemaking data application page 8, line 19.

Copies of the reinsurance agreements must be provided. The reinsurance premium must be net of ceded and contingent commissions.

Ratemaking for all lines other than earthquake and medical malpractice must be on a direct basis, with no consideration for the cost or benefits of reinsurance.

#### **Exhibit 15 - Request for Variance**

This exhibit must identify, support and explain the bases for variance according to §2644.27, Variance Request. When a variance is requested, application page 12 must be completed and all information pertaining to the variance must be shown and fully supported within this exhibit.

#### **Exhibit 16 - Insurer's Ratemaking Calculations**

Provide a full explanation of the development of the insurer's calculations of the indicated rate change and the proposed overall rate change. The components indicated in application pages 7 and 8, ratemaking data, plus any additional relevant ratemaking data must reconcile with **Exhibit 16**. Otherwise a full explanation must be provided.

#### **Exhibit 17 - Rate Distribution**

Demonstrate how the proposed earned premium will be allocated among the rating factors. Provide the current and proposed base rates as well as the percentage change for each base rate. This exhibit must provide the current and proposed base premium to determine the overall impact for **ALL** the changes.

#### **Exhibit 18 - Rate Classification Relativities**

Provide loss experience to support the changes in all rate classification relativities. This exhibit must provide current, indicated and proposed relativities. (Note: Exhibit 18 applies to all lines other than private passenger automobile. For private passenger automobile, a separate classification plan filing must be submitted.)

For Private Passenger Auto, refer to CIC §1861.02 and Title 10, Chapter 5, Subchapter 4.7 of the California Code of Regulations, Sections 2632.1 through 2632.16.



### **Exhibit 19 - New Program**

Explain the source used to develop the rates for the new program (such as an affiliated company or unaffiliated company). For new programs that are based upon the loss costs of an advisory organization, indicate the edition date and the CDI file number of the loss costs that are adopted by the insurer. The most recently approved loss costs should be used, if not, explain the reason.

Indicate whether the new program or a similar program has been written in any state by the insurer or an affiliated company; if the same or similar program has been written in California, provide the CDI file number. Explain the reason for the new program development and the relationship and/or differences between the proposed rates, coverage, and underwriting requirements to any similar existing program(s).

If a new program is created and is based partly on a current or inactive program, data from that program, together with the rate impact to the affected policyholders, must be provided.

### **Exhibit 20 – Insurer Group Filing**

A group filing may be submitted if each company within the group uses the same rates, forms and rules (rating and underwriting). Each company in the group must be identified on application page 2, insurer group filing.

When the rates, forms or rules *differ* between companies in an insurer group, a company may submit a group filing on a limited basis, *depending on the credibility*.

When a program lacks credibility, a group filing may be submitted until the program data gains sufficient credibility. Group filings submitted on this basis must identify, support and explain the differences between the companies using this exhibit.

When a previously approved program for a company within an insurer group has data with sufficient credibility, a *separate filing* must be made using its own company specific data.